

Commercial Update

A publication of the U.S. Department of Commerce, International Trade Administration, Central and Eastern Europe Business Information Center in cooperation with the U.S. Agency for International Development

August 2000

E-Commerce Grows Steadily in the Region

With over 3,000,000 people on-line in Central and Eastern Europe, e-commerce has grown steadily in the region and is expected to more than double in the next decade. Currently, about two-thirds of all e-commerce is business-to-business and it is in this area that there is the greatest potential for U.S. firms. Products that are in high demand include operating system software and data management packages. Business-to-consumer sales are less frequent. This is

due mainly to a lack of consumer confidence in on-line shopping, the high-cost of internet services, and the lack of credit cards. However, there is evidence that this is changing and business-to-consumer transactions are likely to grow. A recent survey in Poland found that 52 percent of all Poles were interested in on-line shopping and entrepreneurs in the region have developed alternative methods of payment including billing internet purchases directly to phone bills.

CEEbic Celebrates its 10th Anniversary

The Central and Eastern Europe Business Information Center (CEEbic) celebrated its 10th anniversary the week of July 10 - 14 in Washington.

CEEbic is the U.S. Government's central clearinghouse for information on doing business in Central and Eastern Europe. Over the past 10 years, it has been at the heart of the Department of Commerce's efforts to promote U.S. commercial activity in the region.

The week began with a workshop that brought together CEEbic's Washington and international staff members to discuss CEEbic's ongoing efforts to increase and improve the services that it provides to U.S. companies. CEEbic's overseas staff also held one-on-one consultations with U.S. companies. The week culminated with two events for the business community. On July 14th, CEEbic hosted the "Southeast Europe: Project and Financing

Opportunities Forum." Officials from the Department of Commerce and other U.S. government agencies briefed over 80 U.S. companies on commercial opportunities arising from the Stability Pact for Southeast Europe. CEEbic serves as a link between the business community and the Stability Pact, an initiative by the United States and other countries to strengthen political and economic stability in Southeast Europe. Later in the day, CEEbic also held an open house and reception for more than 150 U.S. companies interested in Central and Eastern Europe. The event allowed companies to meet with CEEbic's international and Washington staff to discuss commercial opportunities in the region.

Inside this Issue...

Eye on Southeast Europe	2
Commercial Opportunities	4
Around the Region	6
Calendar of Events	7

Eye on Southeast Europe

Stability Pact Produces Opportunities for U.S. Businesses

by Jonathan Kimball

In the aftermath of the conflict in Kosovo, the international community pledged to work with the countries of Southeast Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, and Romania) to further economic prosperity, consolidate democracy, and enhance regional security. To coordinate these objectives, the donor community, international financial institutions (IFIs), and regional governments established the Stability Pact for Southeast Europe.

The Stability Pact is a partnership between the governments of the region that pledge to undertake concrete reforms that enable private sector development, support a vibrant civil society, and allow for regional stability and donor governments and organizations that agree to fund specific projects in support of these objectives.

Last March, donor governments and IFIs, including the World Bank, the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB), pledged more than \$2 billion in support of regional projects. Of particular interest to American companies are the 35 "Quick-Start Projects" focusing on improving Southeast Europe's infrastructure, including roads, rail systems, water and wastewater utilities, power generators, etc. The initial administrative work for these projects is currently under way. All Quick-Start Projects are scheduled to begin by April 2001.

U.S. companies are encouraged to bid on projects financed by the World Bank, the EBRD, and the EIB. When projects

are wholly funded by these organizations, U.S. firms can participate in an open, free, and fair tender process. However, it is likely that a large number of projects in Southeast Europe will be funded at least partially with bilateral assistance from member states of the European Union. In the majority of these cases, only companies registered in European Union member-countries or Southeast Europe can participate. U.S. companies without overseas offices in these regions will have difficulty winning tenders funded with European bilateral assistance.

The U.S. Department of Commerce and the U.S. Trade and Development Agency (TDA) are working to support American firms interested in participating in this bidding process. The Commerce Department's Central and Eastern Europe Business Information Center (CEEbic) provides American firms the most up-to-date information on the status of projects and their bidding criteria. Commerce Department officials located within the World Bank and the EBRD can work directly with American companies bidding on specific projects funded by these institutions. In addition, Commerce and TDA officials currently are exploring how U.S. Government resources can best support U.S. firms when bidding on EIB-funded projects.

Details of the Quick-Start Projects and U.S. Government programs supporting American companies in Southeast Europe will be discussed at the July 14 *Southeast Europe: Project and Financing Opportunities Forum* to be held in the Commerce Department's auditorium (see page 7 for further information).

Do you want to know more about commercial and economic conditions and opportunities in Southeast Europe?

Checkout CEEbic's weekly e-mail publication

The Southeastern Europe Business Brief

To subscribe, e-mail CEEbic at ceebic@ita.doc.gov

Six Countries in Central and Eastern Europe Rank in the Top 50 for Internet Usage

Slovenia

Rank: 9
 Population: 1,970,570
 Internet usage: 460,000
 Internet usage as
 a percentage of population: 23.3 percent
 Number of telephones: 747,000
 Phone penetration: 37.9 percent
 Number of cellular phones: 166,500
 Cellular penetration: 8.6 percent

Czech Republic

Rank: 34
 Population: 10,280,513
 Internet usage: 270,000
 Internet usage as
 a percentage of population: 2.6 percent
 Number of telephones: 3,741,500
 Phone penetration: 36.4 percent
 Number of cellular phones: 965,000
 Cellular penetration: 9.4 percent

Estonia

Rank: 19
 Population: 1,408,523
 Internet usage: 152,000
 Internet usage as
 a percentage of population: 10.8 percent
 Number of telephones: 498,600
 Phone penetration: 35.4 percent
 Number of cellular phones: 247,000
 Cellular penetration: 17.5 percent

Poland

Rank: 36
 Population: 38,608,929
 Internet usage as
 a percentage of population: 700,000
 Internet penetration: 1.8 percent
 Number of telephones: 8,812,300
 Phone penetration: 22.8 percent
 Number of cellular phones: 1,928,000
 Cellular penetration: 5.0 percent

Slovakia

Rank: 24
 Population: 5,396,193
 Internet usage: 513,000
 Internet usage as
 a percentage of population: 9.5 percent
 Number of telephones: 1,539,000
 Phone penetration: 28.5 percent
 Number of cellular phones: 465,400
 Cellular penetration: 8.6 percent

Hungary

Rank: 29
 Population: 10,186,372
 Internet usage: 500,000
 Internet usage as
 a percentage of population: 4.9 percent
 Number of telephones: 3,423,000
 Phone penetration: 33.6 percent
 Number of cellular phones: 1,070,200
 Cellular penetration: 10.5 percent

Central and Eastern European Commercial Update

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Central and Eastern Europe Commercial Opportunities

World Bank Calls for Expression of Interest in Education Development Project in Bosnia and Herzegovina

Overall Project Objectives:

(1) to mobilise the professional capacity of teachers to improve the teaching and learning processes in schools, and as a result improve the quality of education being offered to primary school children in Bosnia and Herzegovina (BiH.);

(2) to promote the efficient and effective use of scarce public resources for education in BiH by providing public policy makers and decision makers with management tools and information necessary to measure inputs, outputs and outcomes in the education system; and (3) to promote co-operation and co-ordination across the three main constituent groups in an effort to reduce inefficient resource use and build a professional basis for stakeholder dialogue in education throughout BiH.

The project will include four principal components:

(1) A **Quality Fund** (US\$ 3.7 million) will provide financing for non-salary incentives to primary schools and primary school teachers with the aim of stimulating innovation and creativity at the school level. It also provides support for building capacity and stimulating innovation in teacher training institutions;

(2) A newly established **Standards and Assessment Agency** (US\$ 3.7 million) will provide information to the education community and the public at-large on student achievement and overall system performance with the aim of learning about the system's strengths and weaknesses, promoting accountability in public education and measuring compatibility between educational standards in BiH and the rest of Europe. The Agency will be a shared intermediary institution supplying high quality professional services in the field of student assessments;

(3) An **Education Management Information System** (US\$ 2.1 million) will enable improved sector management and compatibility of information among BiH's decentralised education systems. It will also rest the viability of a per student budgeting model designed to promote increased efficiency and equity in education spending; and

(4) A **Higher Education Component** (US\$ 3.5 million) is designed to stimulate professional co-ordination, innovation, strategic planning and efficient governance at both sector and institutional levels in higher education in BiH. Pending creation of a Council of Higher Education, a secretariat will be established under the Council with terms of reference to focus on two objectives.

- 1) increased strategic planning and institutional consolidation and
- 2) improved qualification and accreditation systems.

To provide incentives for strategic planning, a Higher Education Fund will be established in the amount of \$2.5 million.

(5) **Living Standards Measurement Survey** (US\$ 0.6 million) The goal of this component is to provide reliable data, for the entire country, on the levels and determinants of welfare, the causes of observed social sector outcomes and the incidence of public expenditures. The specific objectives of the component are to carry out a Living Standard Measurement Study Survey, create the capacity in the country to carry out such surveys and promote the use of such data through wide dissemination of the results, the various analyses of poverty, as well as the unit-record data sets.

The project will also provide financing to support project implementation units in the Federation of BiH and RS.

Contact: Ms. Zorica Lesic, Tel: (387-71) 440-293, Fax: (387-71) 440-108 or Mr. James A. Stevens, Tel: (202) 473-3011, Fax: (202) 477-1034

Hungary

The Hungarian Ministry of Education is accepting bids for the supply and installation of computer hardware and software for a learning center. This is a World Bank funded project and bidding will be conducted through the international competitive bidding procedures specified in the World Bank's gridlines. Interested bidders can purchase tender documents tender documents for a fee \$100. The deadline for bids is September 13, 2000 at 10:00 am Budapest time.

Contact:

IDEX-INTER-ED Company, Ltd.
Lajos U. 38
H-1036
Budapest, Hungary
Mailing address:
P.O. Box LO8
H-1251
Budapest, Hungary

Tel: (36-1) 368-6803
Fax: (36-1) 388-6104
E-mail: IDEX@IDEX.hu

Latvia

VEF Inzenieru, a private company based in Riga, Latvia is a manufacturer of indoor and outdoor electronic displays used in sports stadiums, and other venues. It is seeking a U.S. manufacturer of electro-magnetic displays/staver H-D modules to be used in the production of these electronic signs.

Contact:

Andris Ozols
VEF Inzenieru
Brivibas gatve 214
Riga, Latvia 1039
Tel: (371-2) 562-229
Fax: (371-2) 276-678
E-mail: vefic@tl.lv

Contributed by Aldis Celms

Slovenia

Lip Bled d.d., a private company established in 1948, is well known manufacturer of wooden doors with a staff of 875. Currently, it exports to Austria, Italy Switzerland, Germany and Croatia. It is seeking complete logs of maple, cherry, red oak as well as red oak quarters to be used in the manufacturer of their product line.

Contact:

Lidija Zupan
Lip Bled d.d.
Ljubljanska c. 27
Bled 4260
Slovenia
Tel: (386-64) 795-200
Fax (386-64) 741-675

Contributed by Marko Mlakar

Emergency Transport Reconstruction Project Bosnia and Herzegovina Republic of Srpska

The Project Implementation Directorate of the Republic of Srpska (RSPID) intends using part of the proceeds of a loan from the European Bank for Reconstruction and Development towards the cost of reconstructing selected roads and bridges within the Republic of Srpska.

LOT 1. P1 - P 204, total length 3,596.01 m

LOT 2. P204 - 352, total length 2,608.88 m

Republic of Srpska Project Implementation Directorate (RSPID) now invites sealed tenders for two lots from interested contractors for the following contracts to be funded from part of the proceeds of the loan. Types of the works are the similar for both lots and are: earth works; repair of landslide; new retaining walls; new asphalt layers; traffic signs and signals.

Tendering for contracts to be financed from the proceeds of a loan from the Bank is open to firms from any country. The proceeds of the Bank's loan will not be used for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. Tenders are invited for one or both lots. Each lot must be priced separately. Tender for more than one lot may offer discount and such discounts will be considered in the comparison of tenders. To be qualified for the award of the contract, tenderers must satisfy, but not being limited to, the following minimum criteria: successful experience as a prime contractor in the execution of at least three projects of a similar nature and complexity within the last five years; suitably qualified personnel with at least ten years experience in similar works and five years in key management and supervisor/foremen position; access to, or has available, liquid assets, unencumbered real assets, lines of credit and/or other financial means amounting to at least DEM 3.0 Million jointly for both lots or DEM 2.0 Million for Lot 1 and DEM 1.0 Million for Lot 2; and audited balance sheets or certified annual accounts statements for the previous three years.

Tender documents may be obtained from the offices of the RSPID at the address given below upon payment by certified cheque or banker's draft of a non-refundable fee of 500 DEM. Payment must be made in favour of the: Republika direkcija za puteve, Banja Luka Kristal Banka, Banja Luka, Acc. 70406 - 1813226 under reference: **"Tender Contract RS-97/00-02, section Hrastova Kosa - Bebe."**

Tenders must be delivered to the Office of the Director, Republic Project Implementation Directorate at the address below on or before **13 September, 2000, not later than 13.00 local time**, at which time they will be opened in the presence of those tenderers' representatives who choose to attend. Tenders received after the time and date specified above will not be accepted and will be returned unopened to the tenderer.

Contact: Dr. Dragan Mihajlovic, RS Project Implementation Directorate for Transport, Vase Pelagica 10, 78000 Banja Luka, Republic of Srpska, Bosnia and Herzegovina, Tel: (387-51) 309-790, Fax: (387-51) 308-316

Conference on Energy and Transportation Projects in Southeastern Europe

Sponsored by the U.S. Trade and Development Agency in
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September 13 - 15, 2000

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Koeppen, Elliott & Associates, Ltd. Telephone: (202) 429-5245 Fax: (202) 429-9574
E-mail: MAK@KEALTD.com**

Around the Region....

Bulgaria and Slovenia Report Growth in GDP During First Quarter 2000

Bulgaria reported a 4.8 percent rise in GDP during the first quarter. This is mainly attributed to an 18 percent increase in fixed investment and a 44 percent growth in exports. Slovenia's GDP grew by 6.3 percent during the first quarter of this year as a result of growth in exports and industrial output.

Albania and Croatia One-Step Closer to WTO Membership

On July 17, the accession protocols for Albania and Croatia were formally adopted by the World Trade Organization (WTO) bringing both countries one-step closer to WTO membership. Each country must now ratify the protocols. 30 days after notifying the WTO that the ratification is complete the countries will become WTO members.

Polish Parliament Passes Bill to Reform State Railways

On July 25, the Polish parliament approved a bill to reform the State Railways (PKP) in preparation for its eventual privatization. The legislation calls for dividing the PKP into smaller companies, restructuring its \$1.4 billion debt, and reducing its workforce from 185,000 to 145,000 by 2002. (Source: RFE/RL)

Possible merger of Latvian and Estonian Energy Utilities

The Latvian and Estonian economics ministers recently signed a protocol of intent on closer cooperation between the energy utilities of the two countries, Latvenergo and Eesti Energia. The protocol of intent launches an investigation of pros and cons of a merger of the two state-owned companies. Both Latvian and Estonian officials stated that the potential merger would not adversely impact privatization plans for the two companies.

Information Technology Agreement Eliminates Tariffs on Many High-tech Goods

Negotiated in 1997, the Information Technology Agreement (ITA) is a trade agreement that requires signatory countries to have eliminated their tariffs on specific information technology goods by January 2000. ITA participants must eliminate their tariffs on a most-favored-nation (MFN) basis, meaning that they must extend duty-free treatment to imports from all WTO members even if the member benefitting from duty-free treatment is not an ITA signatory. Products covered under the ITA include computer hardware, peripheral devices, telecommunications equipment, computer software, semiconductor manufacturing equipment, analytical instruments, and semiconductors. For a complete list of products covered under the ITA go to www.wto.org/ew/inftech.htm. The signatory members of the ITA in Central and Eastern Europe are Albania, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.

New Regulation for the Export of Encryption Software

On January 14, 2000, the Bureau of Export Administration (BXA) published a regulation implementing the White House's announcement of a new framework for export controls on encryption items. The policy is in response to the changing global market, advances in technology and the need to give U.S. industry better access to these markets, while continuing to provide essential protections for national security. The regulation enlarges the use of license exceptions, implements the changes agreed to at the Wassenaar Arrangement in December 1998 and eliminates the deemed export rule for encryption technology. In addition, new license exception provisions are created for certain types of encryption, such as source code and toolkits. To learn more about the new regulation, visit the Bureau of Export Administration website at www.bxa.doc.gov.

Calendar of Events



September

9/13 - 9/15 Conference on Energy and Transportation Projects in Southeastern Europe, Philadelphia, PA
Contact: U.S. Trade and Development Agency c/o Koeppen, Elliott & Associates, Ltd. (202) 429-5245

9/20 - 9/22 5th International Exhibiton for the Oil and Gas Industry, Warsaw, Poland
Contact: Biuro Reklamy (48-22) 849-6081
(Application deadline 7/28)

October

10/17 - 10/19 2nd International e-Commerce Conference, Kempinski Hotel, Sofia, Bulgaria
Contact: Maya Kristeva, Via-Expo (359-32) 650-011

November

11/2 - 11/4 Seventh Annual CIS Eastern Europe Business Forum, University of Arizona, Tucson, AZ
Contact: Roza Simkhovich, Fax: (520) 298-6599

For a more complete list of events, go to CEEBICnet, www.mac.doc.gov/eebic/ceebic.html

This notice is provided solely as an informational resource and does not constitute U.S. Department of Commerce endorsement of these events. All information published in the Commercial Update regarding trade events is subject change without notice by the organizers of those events.

Useful Department of Commerce Resources for the Export of IT Products

CEEBICnet

www.ita.doc.gov/eebic/ceebic.html

Bureau of Export Administration

www.bxa.doc.gov

Office of Information Technologies

www.ExportIT.ita.doc.gov

Office of E-Commerce

www.ita.doc.gov/td/econ

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Lithuania

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Fax: (370-2) 222-779

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Al. Jerozolimskie 56/C, 00-803 Warsaw
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Fax: (48-22) 621-6327

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